

IMPORTANT FORMULA AND EQUATION

1. Partnership:

When two or more than two persons run a business jointly, they are called partners and the deal is known as partnership .

2. Ratio of Divisions of Gains:

- I. When investments of all the partners are for the same time, the gain or loss is distributed among the partners in the ratio of their investments.

Suppose A and B invest Rs. x and Rs. y respectively for a year in a business, then at the end of the year:

$$(A's \text{ share of profit}) : (B's \text{ share of profit}) = x : y .$$

- II. When investments are for different time periods, then equivalent capitals are calculated for a unit of time by taking (capital x number of units of time). Now gain or loss is divided in the ratio of these capitals.

Suppose A invests Rs. x for p months and B invests Rs. y for q months then,

$$(A's \text{ share of profit}) : (B's \text{ share of profit}) = xp : yq .$$

3. Working and Sleeping Partners:

A partner who manages the the business is known as a working partner and the one who simply invests the money is a sleeping partner .

KEY POINTS:

Partnership:

When two or more than two persons agree to invest money to run a business jointly, this association or deal is called partnership and those who invest money are called partners. The total investment is called the capital.

Kind of partners :

There are two kinds of partners.

1. Working or active partner :

When a partner devotes his time for the business in addition to invest his money, he is called a

working partner. With mutual agreement, the active partners get some fixed percentage of profit as working allowance.

2. Sleeping or non ♦ active partner

A partner who simply invests money, but does not attend to the business is called a sleeping partner.

Kinds Of Partnership :

1. Simple partnership

If the capitals of several partners are invested for the same period. It is called a simple partnership.

2. Compound or complex partnership :

If the capitals of the partners are invested for different intervals of time, the partnership is called compound or complex.

Key notes

- If the capitals of two partners are invested for the same duration of period and let A₁ and A₂ be their investments and total profit is Rs. P, then share of the partners in the profits are

$$\text{Rs. } \frac{A_1 \times P}{A_1 + A_2} \text{ and Rs. } \frac{A_2 \times P}{A_1 + A_2}$$

If the capitals of two partners be Rs. A₁ and A₂ for the periods t₁ and t₂ respectively and the

profit be Rs. P, then shares of the partners in the profit are Rs.

$$\frac{A_1 \times t_1 \times P}{A_1 t_1 + A_2 t_2} \text{ and Rs. } \frac{A_2 t_2 \times P}{A_1 t_1 + A_2 t_2}$$